

# **Delivering on the PRSP in Bangladesh: An Analysis of the Implementation Challenges**

Paper 54

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## ***Contents***

<b>1. The Backdrop</b>	<b>1</b>
<b>2. The Implementation Challenges</b>	<b>3</b>
2.1 The Document	3
2.2 PRSP in the Era of Plan Holiday	3
2.3 The Macroeconomic Stance	4
2.4 The Missing Links	6
2.5 Moving Benchmarks, Illusive Targets	8
2.6 Resource Envelope and Foreign Aid Requirement	8
2.7 Monitoring and Evaluation System	9
<b>3. Lessons from Other PRSP Implementing Countries</b>	<b>11</b>
<b>4. Assessing the PIF 2005</b>	<b>14</b>
4.1 The Changing Pattern of Bangladesh-Donor Relationship	14
4.2 Differentiation and Coordination Among Donors	15
4.3 Expectation and Reality	16
<b>5. Concluding Observations</b>	<b>18</b>
Table 1 : Phases of PRSP Preparation	2
Table 2 : Estimates of ICOR as per PRSP Projection	5
Table 3 : Foreign Financing Requirement for PRSP	9
Box 1 : PIF 2005: Agreed Implementation Action Plan for Next 12 months	17

## 1. The Backdrop

It seems Bangladesh's long walk towards preparing a *Poverty Reduction Strategy Paper* (PRSP) has finally come to an end. Exactly five years back, on 16 November 2000, the first meeting, under the chairmanship of the then Finance Minister, much lamented late Mr S.A.M.S. Kibria, was held to discuss the preparation of the PRSP (rather the *Interim PRSP*). To work out the modalities of preparation of the PRSP, the meeting drew upon a paper on the *Comprehensive Development Framework* (CDF) and the *Sector Wide Approach Programme* (SWAP)<sup>1</sup>. Subsequently, an eleven member Task Force, headed by the Secretary, Economic Relations Division (ERD) was constituted by the Government in late November 1999 to oversee the preparation of the I-PRSP in Bangladesh<sup>2</sup>.

Since then the PRSP preparation process has crossed important milestones including the following:

- release of the I-PRSP document, styled as *Bangladesh: A Strategy for Economic Growth, Poverty Reduction and Social Development* (March 2003),
- presentation of the document to the Board of Directors of the World Bank and the IMF (17 June 2003),
- setting-up of the National Poverty Focal Point (July 2003) and Steering Committee for PRSP (end-September 2003),
- publication of first draft of the PRSP (September 2004), and
- approval of the final version of PRSP captioned *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction* at the Executive Committee of the National Economic Council (ECNEC) on 16 October 2005 with the Prime Minister in the chair.

Reviewing the chronology of events, one can readily delineate five phases in the process leading up to adoption of the final draft of the PRSP. Table 1 depicts these five phases along with their timelines.

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<sup>1</sup> One may recall that, building on their *Comprehensive Development Framework* (CDF), back in September, 1999, the World Bank Group and the IMF resolved that nationally-owned participatory poverty reduction strategies should provide the basis for all their concessional lending as well as eligibility for debt relief.

<sup>2</sup> For a review of the process of preparation of the I-PRSP and beyond, see: Deb, U., Raihan, A. & Ahamed, S. 2004. "The Poverty Reduction Strategy for Bangladesh: A Review of the Finalisation Process and Interim Measures" in *Revisiting Foreign Aid: A Review of Bangladesh's Development 2003*", Dhaka: CPD-UPL.

**Table 1**  
**Phases of PRSP Preparation**

Phases	Process	Timeline	Total Time
Phase I	Initiation	Nov 2000 – Feb 2002	16 months
Phase II	Preparation of I-PRSP	Mar 2002 – Jun 2003	16 months
Phase III	Preparation for PRSP	Jul 2003 – Dec 2003	6 months
Phase IV	Studies and Consultations for PRSP	Jan 2004 – May 2004	5 months
Phase V	Finalisation of PRSP	Jun 2004 – Oct 2005	17 months

**Source:** Based on CPD's internal research.

Since the final endorsement of the PRSP, the government has met with the international development partners (IDPs) on 15-17 November 2005 under the aegis of a *PRSP Implementation Forum* (PIF). We shall address later the outcomes of the PIF 2005.

Till date, many of us including my colleagues at the *Centre for Policy Dialogue* (CPD), have been engaged in closely observing the PRSP preparation process and, in discrete instances, have been participating in it. We maintained that the PRSP “process” is no less important than the “product” itself. Arguably, a document prepared through an inclusive consultative process holds the promise of making the product (document) more demand-driven, broadening ownership of the document and improving feasibility of its implementation. Now that the process is essentially over, notwithstanding all our reservations regarding the shortcomings of the process and its outcomes, it may be useful if we now relocate the focus of our attention on *full and faithful* implementation of what has been identified as “deliverables” in the PRSP document.

### ***Layout of the Paper***

It is in this vein that the present paper contextualises the final “final” version of the PRSP and seeks to identify the issues which warrant scrutiny for efficient and effective realisation of the objectives mentioned in the document. In this connection, the paper also reviews the implementation experience of other countries pursuing PRSP for teasing out the best practices. The paper concludes by highlighting a set of major challenges underpinning the delivery of the PRSP in Bangladesh.

## **2. The Implementation Challenges of PRSP**

### **2.1 The Document**

One would readily agree that the final version of the PRSP document, i.e. *Unlocking the Potential: National Strategy from Accelerated Poverty Reduction* stands out quite distinctly in comparison to all of its earlier variants. The present volume is a much improved one in terms of both *substance* and *presentation*. Let me cite a few of these distinguishing features.

*First*, the document embodies a rich analysis of causal nexus of poverty in its multiple manifestations. The diagnostics of the poverty syndrome and analysis of the equity implications of the current growth process are quite insightful.

*Second*, the deliberations on the strategic road map in terms of *Strategic Blocks* and *Supporting Strategies* are quite comprehensive and cogent.

*Third*, the document contains a good account of the consultation process informing its preparation.

*Fourth*, the three year (FY05-FY07) policy agenda presented as a list of matrices is an interesting catalogue of policy measures which are necessary to improve poverty effectiveness of public investment.

*Fifth*, inclusion of a detailed Monitoring and Evaluation Matrix by sectors/areas has significantly enhanced the value of the document.

Having underscored the major strengths of the final version of the PRSP, it needs to be also pointed out that a set of compelling questions still lingers on which need to be adequately addressed with a view to have effective delivery of the targets identified in the document.

### **2.2 PRSP in the Era of Plan Holiday**

The Bangladesh PRSP comes into force when the country is enjoying a “plan holiday”. Since the expiry of the tenure of the last mid-term plan, i.e. the *Fifth Five Year Plan* (1997-2002), the government has, for all practical purposes, abandoned the five-year planning design and opted for the PRSP concept as its core planning format. In fact, with the change of political

regime, the FFYP has gradually vanished in the oblivion and no effort was made even to evaluate its outcomes on expiry of its tenure. On the other hand, during the last three years (FY03-05), the government has enjoyed (and continues to enjoy) total flexibility in resource allocation with no physical targets to attain in the context of a mid-term plan.

Indeed, as the economy embarked on an IMF programme, i.e. the *Poverty Reduction Grant Facility* (PRGF) for the period 2003-06 as well as the World Bank's pre-PRSP loan, i.e. *Development Support Credit* (DSC), the relevance of a mid-term plan has greatly diminished. The relevant question which needs to be answered now is whether the national PRSP can be a *total* and *effective* substitute for a comprehensive five year development plan. Earlier there was an off and on allusion that a broader socio-economic mid-term plan will be drafted soon keeping the PRSP at its core; nowadays one does not hear about it anymore. One wonders what will be the national development directives for those sectors which are not covered by the PRSP (e.g. Tourism, Sports and Culture).

Interestingly, many countries in the region have continued with their mid-term planning format as they embarked on the PRSP process. For example, Nepal drafted its PRSP as and under its Tenth Five Year Plan (2003-08). Pakistan continues to have a Five Year Development Framework (2005-10). India, incidentally, is pursuing its Tenth Five Year Plan (2002-07) which it has asked the development partners to consider as the country's PRSP.

### **2.3 The Macroeconomic Stance**

The Medium Term Macroeconomic Framework (MTMF) projects a far reaching GDP growth rate for next four years: 6.5% (FY06), 6.8% (FY07), 7.0% (FY08) and 7.0% (FY09). A close scrutiny of the MTMF reveals serious inconsistencies in a number of areas. Let me make my case by briefly elaborating on a single indicator, *viz. investment* which has been grossly underprojected in the context of the targeted growth rate.

In the backdrop of gradual upping of the target GDP growth rate, in the last three versions of the MTMF the projected gross domestic investment rate has been drastically decreased. Under the current scenario, the gross domestic investment is to increase from 24.4% of GDP in FY05 to 26.0% in FY09. Curiously, while the share of private investment in GDP will remain static at 9.4% of GDP between the benchmark year (FY05) and terminal year (FY09),



the share of public investment is to increase from 5.0% to 6.6% of GDP. As a result, between FY05 and FY09 the share of private investment in gross domestic investment is to decline from 79.5% to 74.6%. Will this rate of gross investment as well as its anticipated structure support the projected GDP growth rate? An analysis of incremental capital-output ratio (ICOR) in Bangladesh reveals that the investment target is untenable.

Table 2 reports that the ICOR assumed for FY06 is 3.85 indicating about 15% improvement in capital productivity in a single year. Indeed, according to the MTMF, the ICOR will improve further, recording 3.71 in FY09. It may be pointed out that the linear trend of ICOR for the period 1991-2005 has been 4.15, suggesting steady deterioration of capital productivity in Bangladesh economy. The PRSP incidentally does not specifically talk about strategy to improve capital productivity.

**Table 2**  
**Estimates of ICOR as per PRSP Projection**

Year	GDP Growth Rate	Investment Rate	Estimated ICOR	Linear Trend of ICOR (1991-2005)	Required Investment Rate
FY03	5.3	23.4	4.42	-	-
FY04	6.3	24.0	3.81	-	-
FY05 (Actual)	5.4	24.4	4.52	-	-
FY06 (PRSP)	6.5	25.0	3.85	4.15	26.98
FY07 (PRSP)	6.8	25.5	3.75	4.15	28.22
FY08 (PRSP)	7.0	26.0	3.71	4.15	29.05
FY09 (PRSP)	7.0	26.0	3.71	4.15	29.05

**Source:** Author's estimate.

According to our estimate, the required gross investment rate has to be in the range of 27-29% of GDP during the period FY06-09 in order to achieve 6.5-7.0% GDP growth rate.

This scenario as adopted by the MTMF has emerged because this assumes a modest outlook about private sector investment. This has been largely guided by the fiscal and monetary targets established by the IMF programme under which the Bangladesh economy currently remains. Accordingly, growth of credit to private sector is to slow down along with deceleration of Broadway ( $M_2$ ) growth, thus restraining growth of private investment to address the inflationary trend.

Conversely, enhanced public expenditure in the context of moderate growth of total revenue will entail broadening of the fiscal deficit. As there are also caps on government borrowing from bank and non-bank sources, it is only through foreign financing that the incremental deficit is to be addressed. Taking note of the poor track record of ADP implementation and low off-take of foreign aid, it may be safely argued that meeting the public investment targets will be a daunting task. Incidentally, a recent study at CPD has found that share of public investment is inversely related to ICOR performance, i.e. higher share of public investment reduces capital productivity in Bangladesh economy<sup>3</sup>.

In short, it will be a challenging task to achieve the GDP targets with the current investment projections. The public investment driven nature of the incremental investment basket will also militate against attainment of the GDP targets, unless a radical improvement takes place in capital productivity.

## **2.4 The Missing Links**

How adequate is the final version of the PRSP from the operational point of view? It seems there is still a number of “missing links” which would make immediate implementation of the PRSP guidelines difficult. These missing links relate to, *inter alia*, some of the downstream instruments which would provide time bound directions regarding delivery of the inputs towards achieving the targets. The four most critical ones in this regard are the following.

(a) *Action Plan(s)*: Documents detailing out the tasks to be performed by relevant government actors (and in some cases non-state actors) with a timeline is absolutely necessary to translate the policy objectives described in the relevant matrix into dedicated work programme in specific sectors/areas. In fact, Action Plans needs to draw on the PRSP menu to highlight special focus areas. Identification of the focus areas will also reflect the need for *sequencing* of the policy measures for greater synergy.

(b) *Rolling Investment Programme*: The PRSP document, in its various incarnations, mentions of a Three-Year Rolling Investment Programme (TYRIP). Admittedly, such a programme is a complement to the Mid-Term Macro-economic Framework (MTMF). It will be essentially a three year budgetary cycle of government’s investment programme, i.e. Annual Development Programme (ADP), where a year will be added at the end as each initial

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<sup>3</sup> See: Bhattacharya, D and Mortaza, M.G.” Capital Efficiency in Bangladesh Economy: An Analysis of Determinants” (unpublished). CPD. October 2005.

year passes. The Planning Commission is yet to provide us with the first TYRIP. One also wonders the relevance of a three year ADP when the Ministry of Finance is trying to do away with the dichotomous format of budget making. Moreover, having a RIP for public sector will mean that there will be no indicative (annual) targets for private (manufacturing and/or service sector) investment in the country.

(c) *Medium Term Budgetary Framework*: In the Bangladesh context a *Medium Term Budgetary Framework* (MTBF) implies a multi-year spending plan for individual line ministries keeping in view the resource availability indicated by the Ministry of Finance. The objective of the MTBF is to allocate resources to the strategic priorities of the country within a consistent fiscal framework. This also provides some degree of predictability to the line ministries. Four ministries have already embarked on this process, few more are to join soon<sup>4</sup>. However, the MTBFs were neither reflected in the PRSP document, nor was it indicated how it was going to relate to the TYRIP.

(d) *Medium Term Expenditure Framework* (MTEF) and *Medium Term Fiscal Framework* (MTFF): A MTFF is usually considered to be a stepping stone towards MTEF. A MTFF typically contains a statement of policy objectives and a set of integrated macroeconomic and fiscal targets and projections. The Mid-term Macroeconomic Framework (MTMF) presented in the PRSP essentially addresses the requirements of a MTFF (although how rigorous the MTMF was is another issue altogether).

What is necessary now is to have a MTEF which would incorporate activity and output based budgeting to the MTBF framework. MTEF would add tracking value for money of public spending along with fiscal disciplines and strategic prioritisation. Indeed, having greater value for tax payers' money is the other name for improving efficacy of poverty reduction efforts.

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<sup>4</sup> The first set of Ministries implementing MBTF includes the following: (1) Ministry of Agriculture, (2) Ministry of Education, (3) Ministry of Social Welfare and (4) Ministry of Women and Children Affairs. During FY2006-07, budgets for six more ministries/divisions will be prepared under MTBF. Those ministries/divisions are: (1) Ministry of Health and Family Welfare, (2) Ministry of Primary and Mass Education, (3) Ministry of Communications, (4) Ministry of Fisheries and Livestock, (5) Ministry of Water Resources and (6) Local Government Division. Progressively MTBF will be replicated in all other ministries/divisions.

### ***2.5 Moving Benchmarks, Illusive Targets***

The Medium Term Macroeconomic Framework (MTMF) covers a four year period (FY06-09) with the value of key indicators identified for each year; the relevant figures for FY05 provides the benchmark. The current MTMF appears to be a compromise between the two scenarios presented in the penultimate draft of the PRSP. However, it has been indicated that the MTMF will be updated periodically. It means that each year (if not more frequently) one will have a brand new MTMF with the realised figures providing the “new” benchmarks and thus making assessment on delivery of macroeconomic targets quite difficult.

However, the document remains quite shy regarding target-setting on major goals. Keeping in view the country’s international and regional commitments, the document essentially reiterates the Millennium Development Goals (MDGs) as the targets for Bangladesh in 2015. Subsequently, the document benchmarks 11 key poverty and human development indicators in the year 2002, and estimates the annual progress required to attain these objectives in 2015. We end up having no annual physical goals or targets for such basic indicators as share of population under income poverty and absolute poverty, primary enrolment rate (particularly for girl child), life expectancy at birth and infant mortality rate etc.

The PRSP in Bangladesh decided not to estimate the annual and terminal targets in physical or value terms for a large number of indicators of many of its Strategic Blocks and Supporting Strategies. If it was considered unnecessary to do so in a “strategy document”, then it becomes imperatives for the Monitoring and Evaluation Matrices to do the needful to ensure a meaningful periodic (annual) assessment of the PRSP outcomes.

Incidentally, there are no benchmarks, no annual targets (progress rate) and no terminal targets for such important areas as governance, water resource management and development, and rural non-farm activities.

### ***2.6 Resource Envelope and Foreign Aid Requirement***

The PRSP has also conveniently decided not to provide an estimate of aggregate resource requirement for implementation of PRSP, not to say details on mode of financing of the outlay. One wonders how does the government argues for enhanced flow of foreign aid with the international development partners (IDPs), when there are no handy figures for the total resource envelope.

In the absence of an estimate for total resource envelopes for public expenditure, we can fall back on fiscal deficit as a proxy indicator. The MTMF suggests that the net financing requirement would be around 4.4% of the GDP during FY06-09 of which about 2.5% is to come from foreign sources (indicating an increase of 0.5% of GDP over the benchmark for FY05). In value term, annual flow of foreign aid is projected to increase significantly in the coming years (see Table 3).

**Table 3**  
**Foreign Financing Requirement for PRSP**

Year	Share of GDP (%)	Amount (mln USD)
FY 2005		1202.6
FY 2006	2.5	1660.2
FY 2007	2.5	1840.1
FY 2008	2.6	2104.9
FY 2009	2.6	2306.4
Total (for 4 years)	-	7911.7

**Source:** Author's estimate.

It transpires from Table 3 that Bangladesh would need additional USD 3.0 bln (above the trend rate of foreign aid flow) over the next four years to finance the PRSP objectives. In other words the country will have to access USD 0.75 bln worth of incremental foreign aid annually within an average annual target of USD 2.0 bln.

One wonders to what extent these foreign aid targets will be realised. More importantly, even if these resources are made available, will Bangladesh economy be able to absorb this enhanced amount. It seems the government will be able to utilise the potential increments of foreign aid if they are given in the form of general budget support or at least in the form sector-wide programme support. One may recall in this context that the unutilised pipeline of foreign aid for the country currently amounts to USD 7 bln (more than 90 percent of which is project aid), indicating an increase of 17 percent over the last decade.

### ***2.7 Monitoring and Evaluation System***

From a citizen's perspective, the real challenge of implementation of the PRSP remains the ability to monitor the intermediate outputs and evaluate the impact of the final outcomes. The problems here are basically four-fold.

(a) *Monitorable Indicators*. As has been discussed earlier, many of the strategic goals and their constituent targets do not have the complete set of benchmarks, annual targets and/or annual progress rates, and final outcome targets. *Annex 3* of the document, however, depicts a pretty exhaustive list of *Input (Policy Change) Indicators, Output Indicators and Outcome/Impact Indicators* by 19 strategic goals covering from Macroeconomic Stability to Caring for Environment. One needs to read this Annex in conjunction with the corresponding sections in the main text. Nonetheless, one still needs to translate the outcome/Impact indicators in terms of concrete numbers for specific years. What is not readily evident from the outcome indicators whether the monitoring /evaluation exercise will assess progress in terms of “before-after” or “target-achievement”.

PRSP requires to have benchmarks, annual targets and terminal targets so that these can be systematically monitored. These have been adequately done for Health Sector and Education. But for many other cases only terminal targets are available (without benchmarks and annual targets). For example, Power Development and Infrastructure Development (Road), Housing and Shelters for female-headed households, ICT for female education.

(b) *Real Time Data*. Absence of real time data will be the most hazardous problem for the M&E exercise. While information on macroeconomic indicators are largely available with 2-4 months’ time lag, information on such critical indicators as private investment or employment by sectors are largely absent. Thus, a comprehensive data generation exercise has to be mounted if one takes the M&E component seriously. This data and information generation exercise has to update the information base of the indicators on which data are currently generated by different government agencies. Moreover, one will have to design an information-generation plan on a priority basis as indicated by the PRSP. BBS thus remains a prime candidate for capacity building inputs in this regard.

(c) *Institutional Arrangement*: The PRSP document recognises the need for “independent and supplementary role” for academic/research organisations and civil society groups in monitoring the implementation of PRS and evaluation of its outcomes. However, it seems that *National Poverty Focal Point* (NPFP), i.e. General Economics Division (GED) of the Planning Commission is to have the “central role” in this regard. It is maintained that there is strong need to distinguish between the roles of the designer/implementer and

monitor/evaluator to avoid conflicts of interest. One definitely needs to set up a mechanism to periodically assess the PRS impact, independent of the NPFP as well as the Steering Committee for PRS implementation. At best, one will have to include independent voices in an effectively structured fashion to endow autonomy to the evaluation process.

(d) *Access to Information*. An important aspect of having credible M&E relates to effective access to real time information by non-government/civil society actors. Regretably, in Bangladesh, independent assessment of economy suffers not only from lack of real time information on relevant data, in many case access to government generated information remains constrained for academics/researchers and policy activists. While arguing for greater access to PRS related information, one reckons that early enactment of the *Freedom of Information Act* would have contributed to effective evaluation of PRS outcomes in the coming years.

### 3. Lessons from other PRSP Implementing Countries

In this section we undertake a review of evaluation documents of the governments of a select set of PRSP implementing countries. These countries are Albania, Ethiopia, Ghana, Mali, Malawi, Benin, Nicaragua, Rwanda, Mozambique and Uganda<sup>5</sup>.

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<sup>5</sup> The review is based on the following documents:

Government of Nicaragua (2002). Strengthened Growth and Poverty Reduction Strategy (SGPRS). First Progress Report. Nicaragua.

Government of Nicaragua (2003). Strengthened Growth and Poverty Reduction Strategy (SGPRS). Second Progress Report. Nicaragua.

Government of Mali (2004). Report of the First Year of Implementation of the Poverty Reduction Strategic Paper (PRSP), Final Version. Republic of Mali.

Government of Mozambique (2005). "Review of the Economic and Social Plan of 2004". Poverty Reduction Strategy Paper. Annual Progress Report. Republic of Mozambique.

Ministry of Economic Planning and Development (2005). "Malawi Poverty Reduction Strategy 2003/2004". Annual Progress Report. Malawi.

Ministry of Finance (2004). Objectives and Long Term Vision Priority Action Plan 2004-2007. Progress Report on Implementation of the National Strategy for Socio-Economic Development During 2003. Republic of Albania.

Ministry of Finance and Economic Development (MOFED) (2003). "Sustainable Development and Poverty Reduction Program (SDPRP)". Annual Progress Report (2002/03). Addis Ababa, Ethiopia.

Ministry of Finance and Economic Planning (2004). Poverty Reduction Strategy. Annual Progress Report. Republic of Rwanda.

Ministry of Finance, Planning and Economic Development (2003). Uganda Poverty Status Report, 2003. The Republic of Uganda.

### ***Coordination of Strategic Goals***

Pursuing several strategic goals simultaneously creates coordination problem for the government. Bangladesh is already locked into the MDG trajectory and it is also associating itself with a set of poverty reduction targets within a regional framework. The annual budget, passed well before the finalisation of PRSP, has also set its own targets. In this context, targets set by the PRSP will need harmonisation of strategic actions. During the implementation period, Albania did face such a challenge as it had to pursue the PRSP, MDG and SAA (for European integration) goals which were somewhat different because they centred on specific priority areas. Mali also faced the problems of low articulation between Budget-programmes and PRSP strategies.

### ***Monitoring and Evaluation***

Experience bears it out that lack of measurable monitoring indicators, data inconsistency and unavailability, and lack of a reference point hinder an effective monitoring and evaluation of the PRSP. Few of the indicators usually outlined in the evaluation matrix do not offer a real measure of the effectiveness of the sectoral policy. In case of Albania, the number of indicators proposed by the line ministries was very high, and more often they were not realistic. While in Ethiopia, much of the information required for monitoring and evaluation already existed, they were scattered across the government, as well as outside of the government system. Accuracy and timeliness of data coming from primary and secondary sources were the major problems for Ghana. On the other hand, absence of a reference point and well defined targets became the major problem for Mali.

### ***Funding and Low Financial Management Capacity***

Inadequate and inconsistent flow of funds, untimely disbursement and weak supervision of service delivery make it difficult to complete all the targeted activities. Bangladesh's Annual Development Programme has always been criticised for the delayed release of local funds. Other country studies also indicate the same problem. For instance, mismatch between the range of activities planned and the levels of fund disbursed hindered Malawi's PRSP

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National Development Planning Commission (2003). Ghana Poverty Reduction Strategy 2003. Annual Progress Report. Ghana.

Permanent Secretariat (2004). "National Commission for Development and the Fight Against Poverty (CNDLP)". Progress Report on the Implementation of the PRSP 2003. Program for Strengthening the Observatory of Social Change. Republic of Benin.



implementation. Along with inadequate funding and delayed disbursement of central government grants, Rwanda also experienced weak supervision of service delivery at local government level, inadequate sector budgets and weak financial management capacities while implementing the PRSP. In Ghana, inadequate resources also resulted in infrequent national outcome/impact surveys.

### ***Institutional Coordination***

Absence of an implementation guideline created coordination difficulties among the monitoring and implementing agencies in many countries. Functional role of different government agencies, with respect to actual implementation of PRSP and monitoring implementation were often not clear. In Benin, such a problem occurred when the PRSP system created some difficulties, partly due to functional and hierarchical malalignment between the two major organs of the National Commission, *viz.* the Permanent Secretariat and the Technical Committee on the one hand, and the institutional positioning of the Social Change Observatory (OCS), which happens to be the technical unit responsible for PRSP monitoring and evaluation, on the other.

### ***Administrative Reforms***

Cross-country experiences reveal that all measures related to acceleration of administrative reforms proved to be difficult to implement. Bangladesh had undertaken a number of unsuccessful administrative reform initiatives since independence. The traditional bureaucratic systems and political inertia often restrict any such changes. In Benin, absence of social dialogue between employers and workers made the situation worse.

### ***Local Government Involvement***

Country experiences confirm that non-existence of an effective participatory mechanism holds back the local government system from implementation process of the PRSP. Besides, lack of capacity to identify local priorities or to develop policies aimed at supporting local community development, and especially the tendency to perceive the meetings as forums in which only complaints could be tabled, limited the opportunity for these regions to identify their own objectives in PRSP implementation. This happened in Albania where regional meetings failed to come out of the traditional frame of consultations. Also, in case of Benin,

interpretation of texts and laws on the powers and prerogatives of the local administrations became major difficulties for the capacity building of local authorities.

### ***Aid Utilisation***

Implementation of the PRSP programme involves concrete tasks involving raising the rate of development spending, working with development partners to harmonise aid modalities, relaxing constraints on aid utilisation and improving absorptive capacity. Low utilisation of aid was also seen as a major impediment of PRSP implementation in Ethiopia, among other countries. In recent years, Bangladesh has been experiencing a declining trend in foreign aid disbursement with a ballooning aid pipeline. The major problem for Bangladesh originates in its weak capacity to utilise the already committed foreign aid.

### ***Political Factor***

Political interference or apathy played an important role in various PRSP countries. Malawi faced problems when political interference derailed the ongoing economic programmes and the budget. Moreover, non-commitment by the government to implement budget and PRGF programme even led to temporary suspension of aid flows. Bangladesh is currently bracing for another democratic transition in the coming year. It is to be seen how energetically the government pursues the major reform initiatives identified under the PRSP by the end of FY06.

## **4. Assessing the PIF 2005**

### ***4.1 Changing Pattern of Bangladesh-Donor Relationship***

In the backdrop of declining aid dependence of Bangladesh economy, the donor-recipient relationship in Bangladesh has undergone marked changes.<sup>6</sup> The five major features of these changes are as follows.

(a) *From BDF to PIF*. The major platform of discussion between the international development partners have evolved from *Aid Consortium* in Paris to *Bangladesh Development Forum* to *PRS Implementation Forum* in Dhaka. The donors, over the period,

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<sup>6</sup> Although currently about half of the ADP is financed externally, important sectors in physical and social infrastructures remain critically dependent on foreign aid. See for details: Bhattacharya, D., Raihan, A. & Shadat, W.B. "Role of Foreign Aid in Public Investment in Bangladesh: An Intersectoral Analysis" in *Revisiting Foreign Aid: A Review of Bangladesh's Development 2003*", Dhaka: CPD-UPL 2004.

have fine-tuned the poverty focus of their contribution and have engaged more enthusiastically in a search of an effective instrument, i.e. PRSP to channel their increasingly scarce resources.

(b) *From Short-term to Medium-term.* The donor-government engagements have increasingly moved away from short-term focus to mid-term outlook. If in earlier days the discussions were to be on year to year basis, nowadays the deliberations and planning cover 3-5 years period.

(c) *From Projects to Policies and Strategies.* It is well known that donor commitments earlier used to be more with respect to certain economic, infrastructure or social projects. This approach is being increasingly abandoned in favour of sector-wide programme support or policy-based lending. In some cases, donors are resorting to quick disbursing budgetary support.

(d) *From Bilateral to Collective (“Cartel”) Approach.* It seems the degree of donor competition has decreased perceptibly. Emergence of PRSP approach signalled the deployment of collective (cartelised) negotiation tactics on the part of the donors. Bangladesh as a recipient has now little scope to take advantage of donor pluralism.

(e) *From World Bank-Driven to “Domestic Ownership”.* One of the welcome corollaries of the abovementioned changes had been recognition of “domestic ownership” as a prerequisite for effective aid relationship. The recent PIF meeting -held in Dhaka (not in Paris or Washington DC) and chaired by the Bangladesh Finance Minister (not by the Vice President of the World Bank or IMF) – is a case in point. However, some of these changes may turn out to be cosmetic, if the World Bank continues to dominate the agenda for discussions.

#### ***4.2 Differentiation and Coordination Among Donors***

It appears that in the recent past a process of differentiation has set in among the development partners in relation to the Bangladesh PRSP. One observes that the four major donors, viz the World Bank, the ADB, the DFID, UK and Japan have articulated a joint strategy for

supporting the Bangladesh PRSP<sup>7</sup>. Although, it has been often mentioned that this process remains open to involvement of other donors, it is not quite obvious how the so-called medium and small bilateral donors are going to engage themselves in the PRS process in the context of this joint approach of the “Big Four”. It will be also interesting to see the government’s attitude towards the medium and small bilaterals which are often expressedly vocal about various aspects of Bangladesh economy and governance. Are we entering into a phase when the *Big Four* will essentially finance the government programmes, whereas the *medi and minis* are going to increasingly support (by default) the non-government organisations. One wonders whether Bangladesh government can afford to have such a situation.

The state of coordination among the donors is the other aspect which needs to be highlighted in this respect. While the donors-government relationship is being increasingly defined by the PRSP, the donors continue to produce their respective Country Assistance Strategy (CAS) at regular intervals. One wonders, for internal accountability of their respective agencies, why can not the donors use the national PRSP instead of CAS.

Another more important aspect in relation to the donors is the issue of harmonisation of aid practices. According to the *Paris Declaration on Aid Effectiveness* (March 2005), the donors are to streamline their delivery modalities as they increasingly buy in the upgraded national practices. It is well known that multitude of donor practices eats up the scarce administrative resources of the government and diminishes the value of the disbursed amount. This issue needs to be addressed in right earnest as the flow of foreign aid to Bangladesh is expected to increase in the coming years.

#### **4.3 Expectation and Reality**

It was expected that PIF 2005 will enhance joint understanding of the government and the IDPs with respect to strategic concerns of PRSP implementation including in the area of governance. It was further anticipated that the PIF 2005 will improve predictability of foreign aid flow in the context of an assessment of foreign financing requirement for implementation of PRSP. The other expectation had been that the PIF 2005 would contribute towards greater aid effectiveness by way of improving harmonisation of diverse donor practices.

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<sup>7</sup> These four donor agencies together accounted for about 71% of total aid disbursed to Bangladesh during FY01-03.

Analysis of the PIF 2005 documents reveal that the IDPs decided not to overemphasise the issue of political governance (possibly to steer away from the bipolar political divide in this respect) and opted to concentrate on a set of doables in a hands-on manner. Remaining cognisant of the fact that FY06 essentially signals the close of the present political cycle, the IDPs wanted to emphatically zero-in on a set of tasks to be serviced during the next twelve months, implying before October 2006. This list of agreed tasks has been presented in Box 1.

### Box 1

#### PIF 2005: Agreed Implementation Action Plan for Next 12 months

1. Implementation plan and joint committee established by **December 2005**
2. PRS will guide budget allocation process, particularly for pro-poor allocation programmes for the next fiscal year
3. MTBF to be extended to 6 more Ministries by **June 2006**
4. Increase block grants to UPs and broaden their functions by the start of the next fiscal year
5. Place new members against vacant posts of Bangladesh Energy Regulatory Commission (BERC), Bangladesh Telecommunication Regulatory Commission (BTRC), Security Exchanges Commission (SEC)
6. Implementation of Procurement Law
7. Rationalize Annual Development Plans to match PRSP
8. Capacity building plan for Bangladesh Bureau of Statistics (BBS)
9. Take measures for civil service reforms
10. Review SME policies
11. Review the *Policy of Empowerment and Development of Women*

As PIF 2005 was not a pledging platform, IDPs did not feel obliged to commit new resources; rather, some did comment euphemistically that “there will be no problem for money, if PRSP implementation takes place under a well organised plan”. However, fact remains that in view of growing strains on fiscal and external balances, Bangladesh does need budgetary support urgently. Reticence of the IMF to disburse the third tranche of the PRGF loan is not helping the issue.

Apart from the 11-point Agreement, the other concrete initiative proposed by the IDPs relate to creating a Joint Task Force to oversee the implementation of the PRSP. One may question the rationale of establishing such a donor-government Task Force and argue that more investment in improving the policy environment, institutional capacity and fund availability

would create a domestic mechanism, however incomplete, for PRSP implementation. It should not be another case where the initiative passes on to the IDPs by default.

For all practical purposes PFI 2005 was the last collective and substantive meeting of the IDPs with the present government. This, in some way, may make donor-recipient relationship a bit open-ended in the coming months in Bangladesh.

## 5. Concluding Observations

Our foregoing analysis suggests that the national PRSP is a rich diagnostic document which contains a cogent set of strategic interventions and practical roadmaps towards its implementation. Admittedly, the document suffers from some inadequacies, but these are not binding constraints for realising its potential, up to a certain degree. Rather, one would argue that the fate of Bangladesh PRSP will be finally defined by the depth of its *political ownership* in the country, and the strength of the *partnership commitments* of the IDPs.

***Political Ownership.*** It is true that the government has put its seal of approval on the final version of the PRSP at the ECNEC; but the fact remains that it was not discussed in the full cabinet, not to say that it was not formally introduced in the National Parliament for a general discussion. Indeed, relevant Parliamentary Standing Committees did not discuss the PRS articulated for their respective ministries. The issue is, even if the civil society owns up to the document, will the policymakers fully commit towards delivering the PRS promises.

This question of ownership acquires new dimension as the country progresses towards another round of national elections. Will the political parties commit in their election manifestos for a full and faithful implementation of the current PRSP? Incidentally, one of the agenda of the 23-point Common Minimum Programme mooted by the 14 Party Alliance recently says, if voted to power, it will “formulate a national policy for alleviation of poverty”.

***Partnership Commitment.*** The donor dilemma is quite evident in case of Bangladesh. Bangladesh is a country which has made great strides in improving its socio-economic indicators; yet it remains deeply flawed in terms of good governance. On the one hand, the IDPs want to remain engaged in the country on a long term basis; on the other, they feel

frustrated by the slow progress in institutional and policy reforms. How is the balance of these two sides of the donor perspective going to impinge upon the implementation of the PRSP? It will be interesting to observe the IDPs, as they try to navigate through the volatile process of democratic transition, while keeping their focus on implementation of Bangladesh PRSP.

Taking note of these, one is tempted to conclude that the PRSP is *ready* for the civil society of Bangladesh, but are the political masters and the international development partners *ready* for the PRSP!